



Investment Office

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

November 14, 2005

AGENDA ITEM 6e

TO: MEMBERS OF THE INVESTMENT COMMITTEE

I. SUBJECT: PacifiCare and United Health Merger

II. PROGRAM: Global Equity

III. RECOMMENDATION: Information Only

IV. ANALYSIS:

PacifiCare Health Systems (PHS) shareowners will be voting on November 17, 2005 as it relates to the proposed merger with UnitedHealth Group (UNH). Staff informed the Committee at the October 17, 2005 Investment Committee meeting (Attachment 1) that as a shareowner in both PHS and UNH, the merger is a net positive based on the economics of the proposed transaction. Following discussion on the merits of the proposed merger, the Committee directed staff to:

- Communicate CalPERS' concern directly to PHS related to the decisions that inefficiently use shareowner capital for executive compensation and specifically request that the PHS Board of Directors rescind the compensation plan related to the accelerated vesting of options and signing bonuses to senior management driven by the company's agreement to be acquired by UnitedHealth Group; and,
- Communicate to the Department of Managed Health Care (DMHC) our request of PHS as well as encourage the DMHC to take CalPERS' concerns into consideration as part of the review process for granting regulatory approval for the proposed merger.

Per the Committee's direction, CalPERS has written to Mr. Howard G. Phanstiel, Chairman and Chief Executive Officer of PacifiCare (Attachment 2) the California State Department of Managed Health in writing (Attachment 3).

V. STRATEGIC PLAN:

This item is not a product of either the 2005-2006 Strategic or Annual Plans.

VI. RESULTS/COSTS:

Costs associated with this item include staff resources

Dennis Johnson
Senior Portfolio Manager
Corporate Governance

Christianna Wood
Senior Investment Officer

Mark Anson
Chief Investment Officer